

MOTION BY SUPERVISOR MICHAEL D. ANTONOVICH AND
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Iran has been repeatedly identified by the U.S. State Department as the chief state sponsor of international terrorism. Iran continues to defy the International community by moving forward with its nuclear program despite three unanimous resolutions passed by the United Nations Security Council since December 2006 sanctioning that country for failure to suspend its uranium-enrichment activities. The United States has since 1996 barred U.S. companies from investing directly in Iran, and has attempted to restrict that country's ability to conduct international financial transactions. Some European Union countries have also taken steps to discourage investment in Iran by domestic firms.

This ongoing campaign of international isolation has taken its toll on the Iranian economy. Inadequate foreign investment, declining oil production, rising domestic energy consumption and high inflation have all created a situation of domestic economic instability and political discord. This in turn has led to difficulties for those non-U.S. companies that have invested in the Iranian energy sector. In 2001, the Securities and Exchange Commission (SEC) determined that companies with business operations in terrorist-sponsoring states such as Iran are exposed to a special category of risk known as Global Security Risk, a combination of risk to both share value and corporate reputation. Furthermore, under the Iran Sanctions Act of 1996, foreign companies that have invested more than \$20 million in Iran's oil and natural gas sector in any year since 1996 may be sanctioned by the U.S. government. For the twenty or fewer companies that meet the standard for these sanctions, continued involvement in Iran is risky business indeed. And for the investor, continued investment in the stocks of those companies is likewise risky.

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A movement to divest from companies that are significantly invested in the Iranian energy sector and thus subject to U.S. government sanction is underway among pension systems serving public employees. As of this date, 19 states and the District of Columbia have either passed laws or adopted policies requiring such divestment, including New York, Ohio, Texas, Florida, Georgia, Illinois, California and many more. In California AB 221 (Anderson) requiring both the Public Employees' Retirement System (PERS) and the State Teachers' Retirement System (STRS) to divest from companies subject to sanctions due to their investments in Iran passed both the Assembly and Senate unanimously in 2007, and was signed by the Governor into law.

Pending economic sanctions, warnings of great risk, credit restrictions and other measures announced by the United States, European nations and the United Nations make doing business in Iran's oil and natural gas sector an increasingly risky prospect. The Los Angeles County Employees Retirement Association (LACERA) may have investments in those few foreign companies that invest in Iranian energy, thus posing a financial risk to the thousands of civil servants and retirees who depend on the success of LACERA's investment strategy.

WE, THEREFORE, MOVE that the Board of Supervisors send a five-signature letter to the Chief Executive Officer and Members of the Board of Investment of the Los Angeles County Employees' Retirement Association (LACERA), requesting that LACERA divest from those companies that are liable to U.S. government sanctions by virtue of their investments in the Iranian energy sector.

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